

The logo for Consumers Energy, featuring the company name in a bold, blue, sans-serif font. Above the text is a green swoosh that starts under the 'C', goes over the 'E', and ends under the 'y'.

Consumers Energy

Count on Us®

HOUSE TAX POLICY COMMITTEE

Carolee Kvoriak Smith

Director of Tax Planning and Tax Counsel

HOUSE BILL 5765

Sept. 21, 2016

Good afternoon Chairman Farrington and members of the committee.

My name is Carolee Kvorlak Smith and I am the Director of Tax Planning and Tax Counsel for Consumers Energy. I am here today to express support for House Bill 5765. I would like to start by thanking Representative Iden for sponsoring this legislation and bringing this important matter before your Committee.

House Bill 5765 makes sweeping reforms to The Michigan Tax Tribunal (the "Tribunal"). The Tribunal, a quasi-judicial agency created by the Legislature in 1973, has exclusive jurisdiction over property tax cases. It shares jurisdiction over non-property tax cases with the Court of Claims.

An impartial, competent and efficient forum for resolving tax disputes will encourage new business in our state and allow existing businesses, like Consumers Energy, to prosper. The Tribunal – like any other business – should have customer service as one of its top goals. The Tribunal should be accessible to all taxpayers within the state. Finally, it should produce high-quality work product; meaning well-analyzed and consistent decisions that contribute to a solid body of tax guidance for Michigan taxpayers.

House Bill 5765 will go a long way to helping the Tribunal accomplish these objectives. This bill promotes better customer service by:

- Requiring the governor to solicit a list of qualified candidates from at least one appropriate professional association located and primarily operated in this state;
- Requiring the training appropriate to ensure members have the necessary expertise to competently handle the matters before it; appropriate training for members of the Tribunal;
- Allowing the governor to appoint additional pro tempore members when necessary; and
- Allowing for the formation of a three-Member panel in more complicated cases.

The Tribunal struggles to attract qualified tax professionals; its current compensation structure simply does not entice seasoned tax professionals. House Bill 5765 raises the compensation of the Tribunal members and allows for part-time members; both measures should expand the pool of candidates willing to serve. House Bill 5765 also removes impediments to attracting solid tax professionals, such as the prohibition on certain outside employment not applicable to other judicial professionals in Michigan. Expanding the pool of qualified candidates willing to serve will lead to better decisions.

House Bill 5765 promotes access to the Tribunal by allowing for regional offices and increasing the jurisdiction of the Small Claims Division from \$20,000 to \$100,000 in non-property cases and from \$100,000 to \$250,000 in non-residential property tax cases.

None of the above objectives, however, will be possible unless the Tribunal's funding structure is addressed. Currently, the Tribunal is funded solely by filing fees. This is not a stable source of funding; when the number of matters filed is down, so is the Tribunal's revenue. These fees also do not cover the Tribunal's current expenses and do not allow the Tribunal to compensate its members at a level necessary to attract qualified candidates or train them adequately. Moreover, as fees increase in order to close the funding gaps, some taxpayers may not be able to afford to have their matter heard by the Tribunal.

We would like to acknowledge the fine progress made by the Tribunal over the last few years in improving customer service. But more is needed, and the Tribunal itself cannot do it alone. Thank you for the opportunity to express our support today. At this time, I would be happy to answer any questions you may have.